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C O N F I D E N T I A L BAGHDAD 004838

SIPDIS

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TAGS: ECON PGOV I2

SUBJECT: RAMADI'S AGRICULTURAL DEVELOPMENT BANK: SADDAM'S SOCIALISM ALIVE AND WELL IN ANBAR

Classified By: Michael J. Adler, Acting Political Counselor for reasons 1.4 (b),(d).

¶1. (C) Summary. Managers of the Ramadi branch of the Agricultural Bank admitted they issued few loans and were bureaucratically constrained by parent institution Ministry of Finance from more creative means of increasing their financing. Nonetheless, employees hustled about doling out slips of stamped and signed papers, with no overt signs of cash at hand. Perhaps a mechanism to revitalize the depressed Anbar economy through microfinancing, significant reform is necessary to salvage this archaic institution. End Summary.

¶2. (C) On November 27 PolOff accompanied a Civil Affairs team for a site survey of the Ramadi branch of the Agricultural Bank. At a small building a short walk from the downtown government center, roughly a dozen customers crowded in front of a bank of windows in the run-down building. In conversations with the assistant bank manager, and later, branch manager, neither appeared intimidated by the CF presence. Both readily responded in detail to questions of the bank's activities and customer base. Neither, would however, firmly commit to an invitation to join a business development council to advise

Ramadi City Council, citing security as a main impediment.

¶3. (C) None of the four 'loan officers' desks contained computers. When a customer presented a check for cashing, the Assistant Manager Abdulhameed Khader reminded his clerk to check the paper records to confirm an adequate account balance; the branch did not have electricity to consult an unseen computer. Khader noted the branch maintained 12 employees and seven guards, an additional two employees held temporary status. Khader stated most of the bank's loans were for between 10-20 million Iraqi dinar (7,000-14,000 USD), and depending on the maturity of the loan ranged from 8-14 percent interest. He identified three main categories of loans: agricultural, 'industrial' and 'trading'. The Assistant Manager said no one of late had applied for loans to purchase agricultural equipment, livestock or seed. He observed (evidently referring to prior to the regime's fall), the bank had been a hub of activity; he gave no explanation for the decline in agricultural borrowers.

¶4. (C) Upon his arrival, Branch manager Isam Yassam Abdullah, politely requested the military officer to summarize the purpose of the visit. Noting the Agricultural Bank maintained another branch in Falluja, he attributed the dearth of agricultural borrowers to the security situation. He obliquely referred (as did the Assistant Manager) to issuance of loans to bank employees, noting they made payments via a deduction to their monthly salaries. (Comment. The references raised suspicions whether this practice led to a backdoor 're-lending' process. End Comment.) Abdullah, contended the Agricultural Bank was similar to 'regular' (but also Saddam era state-owned) institutions like Rafidan and Rasheed banks. The Ministry of Finance 'owned' the bank, supplied its capital and issued mandatory guidance on what category of loans his branch was permitted to offer customers. The Branch manager added that the Ministry of Agriculture had a signed agreement with the Ministry of Finance to provide agricultural loans (for irrigation improvements, livestock etc.) at a subsidized interest rate of 7-8 percent. He did not elaborate on why this mechanism was currently unused. Atmospherics and Comment

¶5. (C) Well dressed and courteous, Abdullah looked the part of a former regime technocrat against the backdrop of an outmoded and decaying institution. It was not apparent where or if the branch stored cash deposits. Beyond the counter was an old walk-in safe, doors ajar and stuffed with disorganized and falling paper files. The customers crowding the window at our arrival, slipped away gradually and -- interpreting this as a signal -- we cut our visit short. The managers intimidated they had little control over lending policies, which were determined at the Ministry in Baghdad. Neither were they apparently forward-leaning in stimulating new business opportunities. Antiquated and poorly maintained infrastructure plagues the province from water plants to electricity grids, the

agricultural and irrigation networks are mostly likely face similar straits. The question is whether an injection of new funds and flexible lending guidelines could infuse this institution with sufficient vitality to shed its leaden atmosphere of former Soviet Union decrepitud

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